Auditor's Report

Financial Statements as of 31 December 2012 and Management Report

European Commodity Clearing AG
Leipzig

European Commodity Clearing AG, Leipzig

Balance Sheet as of 31st December 2012

Assets				**Liabilities**			
		31/12/2012	**31/12/2011**			**31/12/2012**	**31/12/2011**
	EUR				**EUR**		
1. Cash reserves				1. Liabilities to banks Due every day	304,826,037	304,826,037	115,358,636
a) Cash at central banks including cash at Deutsche Bundesbank	139,880,979	139,880,979	2,318,171	2. Liabilities to customers			
2. Accounts receivable from bank				b) Other liabilities			
a) Due every day	494,959,001		344,907,011	ba) Due every day	308,495,745	308,495,745	212,795,932
b) Other accounts receivable	115,469	496,074,470	137,728	3. Other liabilities	637,694	637,694	1,246,584
3. Accounts receivable from customer	1,041,127	1,041,127	1,382,846				
4. Shares in affiliated companies	18,500	18,500	18,500	4. Reserves			
5. Intangible assets				a) Reserves for pensions and similar commitments	17,211		114,843
a) Licenses regarding rights and values	1,431,794		1,356,520	b) Tax provisions	154,155		
b) Goodwill or corporate value	-	1,431,794	-	c) Other provisions	1,417,088	1,588,854	949,191
6. Property, plant and equipment	57,276	57,276	25,345	6. Equity			
7. Other assets	9,975,845	9,975,845	8,458,672	a) Subscribed capital	1,015,227		1,015,227
8. Accruals and deferrals	467,265	467,265	285,777	b) Capital reserve	14,300,495		14,300,495
9. Excess of plan assets over pension liability	36,787	36,787	39,829	c) Retained income Other retained earnings	11,921,066		6,924,611
				d) Balance sheet profit	6,234,925	33,471,713	6,224,880
Total assets		**648,984,043**	**358,930,399**	**Total liabilities**		**648,984,043**	**358,930,399**

1. Contingent liabilities

Liabilities from guarantees and guarantee agreements	73,306,860	73,306,860	53,655,827

European Commodity Clearing AG, Leipzig

Profit and Loss Account

for the period from 1st January 2012 to 31st December 2012

			2012 EUR	2012 EUR	2011 EUR
1.	Interest income from				
	a) Credit and money market transactions		804,369		2,548,848
2.	Interest expenses		385,533	418,836	2,010,832
3.	Current income from investments in affiliated companies			59,169	
4.	Income from commission fees		22,703,547		22,870,369
5.	Expenses for commission fees		1,156,949	21,546,599	1,795,149
6.	Other operating income			852,817	477,561
7.	General administrative expenses				
	a) Human resources expenses				
	aa) Wages and salaries		2,633,386		1,762,383
	bb) Social insurance contributions and expenses for old-age pension and for support		541,202	3,174,588	387,217
	including: for old-age pension EUR 238,793 (2011: EUR 161,789)				
	b) Other administrative expenses		9,076,778	12,251,366	8,021,005
8.	Depreciations and value adjustments of intangible assets and property, plant and equipment			776,877	1,830,372
9.	Other operating expenses			613,191	700,801
10.	**Result of ordinary operations**			**9,235,986**	**9,389,019**
11.	Taxes on income and profit			3,001,061	3,164,139
12.	**Annual profit**			**6,234,925**	**6,224,880**
13.	Profits carried forward from previous year			-	-
14.	Additions to retained income				
	a) To other retained income			-	-
15.	**Balance sheet profit**			**6,234,925**	**6,224,880**

European Commodity Clearing AG, Leipzig
N O T E S 2012

The annual financial statement of European Commodity Clearing AG (referred to as "ECC" herein after) for the financial year 2012 was prepared in accordance with the provisions of the German Commercial Code and of the German Companies Act as well as the Ordinance Regulating the Accounting Requirements for Financial Institutions and Financial Service Providers (RechKredV). The profit and loss account according to RechKredV has a graded structure (form 3). The development of the individual items of the fixed assets is shown separately in accordance with Art. 268 Paragraph 2 HGB [German Commercial Code].

ECC is included in the consolidated financial statement of European Energy Exchange AG (EEX AG), Leipzig, which is published in the German Electronic Gazette.

ECC is the sole shareholder of European Commodity Clearing Luxembourg S.à.r.l. (ECC Lux). ECC Lux is included in the commodity delivery chain (power and gas and transfer of emission allowances). The exemption from the requirement to prepare a partial consolidated financial statement is in accordance with Art. 291 Paragraph 1 Figure 3 HGB.

1. Accounting and valuation principles

General

Accounting and valuations are effected in accordance with the general accounting and invoicing provisions for capital companies according to HGB in compliance with the supplementary provisions of AktG and the Ordinance Regulating the Accounting Requirements for Financial Institutions and Financial Service Providers (RechKredV). The provisions regarding large capital companies contained in Art. 340a Paragraph 1 HGB are used. The going concern principle is applied; assets and liabilities are assessed individually. A cautious assessment was effected, i.e. all foreseeable risks and losses which were incurred up until the balance sheet date were taken into account.

Cash in foreign currencies was assessed with an effect on income on the basis of the exchange rate on the balance sheet date.

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment were assessed at cost of acquisition less scheduled depreciations. Fixed assets were depreciated in accordance with the usual period of use for the company and under consideration of the period of use which is permissible from a tax perspective. The straight-line method of depreciation was used for additions.

Minor assets (with costs of acquisition of up to EUR 410 (net)) acquired during the financial year were recorded as expenditure at the full amount in the year of acquisition.

Accounts receivable and other assets

The accounts receivable and other assets were assessed at the nominal value less required individual value adjustments.

The trade accounts payable and receivable with regard to ECC Lux existing on the balance sheet date are shown on a netted-out basis since the preconditions for an offsetting condition are not fulfilled. The actual offsetting situation towards ECC Lux corresponds to the ECC Clearing Conditions at the time of the repayment and fulfilment of the corresponding transactions towards the respective trading participants. Netted-out reporting serves to improve the clarity and comprehensibility of the annual financial statement.

Cash at central banks

Cash at central banks was assessed at the nominal value.

Shares in affiliated companies

Affiliated companies were assessed at their acquisition costs.

Liabilities

Liabilities were shown at the amount to be paid. There are no liabilities with a remaining term of more than one year.

Reserves

Reserves are defined for all risks discernible up until the preparation of the annual financial statement, doubtful liabilities and contingent losses.

Liability relationships

As of the balance sheet date, there was a letter of comfort and a guarantee. More detailed information on this is provided under “Contingent liabilities”.

Deferred taxes

Deferred taxes are established for differences in time between the assessments of assets, debts and accruals and deferrals under commercial legislation and taxation legislation. Deferred taxes are determined on the basis of a combined income tax rate of 32 percent. Deferred taxes are not reported in the balance sheet on account of the net asset position by exercising the right of option according to Art. 274 HGB [German Commercial Code].

2. Notes and Explanations regarding the Balance Sheet

Accounts receivable from credit institutions and customers

The accounts receivable from credit institutions and customers concern accounts receivable with a remaining term of less than three months.

Shares in affiliated companies

On 31st December 2012, the shareholdings were as follows:

Name	Registered office	Subscribed capital in EUR	Share in %	Equity in kEUR	Annual profit in kEUR
European Commodity Clearing Luxembourg S.à.r.l.	Luxembourg (Luxembourg)	12,500	100.00	35,364	21,614

Intangible assets

Intangible assets are reported in the balance sheet at kEUR 1,432 (2011: kEUR 1,357) as of 31st December 2012.

Property, plant and equipment

Property, plant and equipment were reported in the balance sheet at kEUR 57 (2011: kEUR 25) as of 31st December 2012.

Other assets

As of the balance sheet date, the other assets amounted to kEUR 9,976 (2011: kEUR 8,459). This amount essentially consists of accounts receivable from affiliated companies for clearing services and input tax refunds (kEUR 4,068) and accounts receivable from input tax (kEUR 5,851).

With regard to shareholders there were other assets of kEUR 30 (2011: kEUR 120) as of 31st December 2012.

Deferred expenses and accrued income

Expenses before the balance sheet date which constitute expenses for a certain period after the said date are reported as “deferred expenses and accrued income”. As of 31st December 2012, there were deferred expenses and accrued income of kEUR 467 (2011: kEUR 286).

Excess of plan assets over pension liabilities

The excess of plan assets over pension liabilities of kEUR 37(2011: kEUR 40) results from offsetting of pension provisions with corresponding plan assets.

Liabilities to banks

The existing liabilities to banks are due on a daily basis.

Liabilities to customers

The liabilities to customers concern liabilities which are due on a daily basis.

Other liabilities

There are other liabilities of kEUR 638 (2011: kEUR 1,247).

Essential items comprise trade accounts payable of kEUR 338 (2011: kEUR 820) for incoming invoices not settled yet and liabilities to shareholders of kEUR 151 (2011: kEUR 368) for intercompany services and charging on of costs of material.

There are other liabilities to affiliated companies of kEUR 108 (2011: kEUR 28). All other liabilities have a remaining term of less than three months.

Reserves

	31/12/2012	31/12/2011
	kEUR	kEUR
Pension provisions	17	115
Tax provisions	155	0
Corporation tax/solidarity surcharge	75	0
Trade tax	80	0
Other provisions	1,417	949
Human resources expenses	658	530
Outstanding invoices	552	181
Supervisory Board bonus	132	168
Costs of annual financial statement and auditing	58	54
Other provisions	17	16
Total	**1,589**	**1,064**

With regard to pensions and similar obligations there are is one liability under a pension contract and one liability from a contract regarding an old-age part-time working scheme.

The 2005 G guideline tables by Klaus Heubeck were used as the legal basis for the calculation with regard to provisions. A discounting factor of 5.04% was used for the pension contract. The discounting factor for the old-age part-time working scheme contract was 5.04%. A salary trend of 0 was used as the basis for both contracts.

The calculation regarding the old-age part-time working scheme was effected in accordance with the comment by IDW (Institute of German Auditors) on reporting of obligations under old-age part-time working schemes in balance sheets (IDW RS HFA 3). For the purpose of the calculation of pensions, the basis for the assessment of the contribution according to Art. 10 Paragraph 3 Figure 1 in conjunction with Art. 11 Paragraph 2 of the Law for the Improvement of Corporate Pension Schemes (entry-age value of the pension obligation according to Art. 6a Paragraph 3 EStG [German Income Tax Law]) was used.

The interest income from the plan assets amounted to kEUR 5, while interest expenses amounted to kEUR 12.

Process Values in kEUR	As of 01/01/2012	Plan assets 01/01/2012	Formation	Consumption	Discounting	Amount of provisions	Plan assets 31/12/2012	As of 31/12/2012
Pension provision	79	119	4		2	85	122	-37
Old-age part time	158	43		52	5	111	94	17

Interest rates of 4.22% (6-year period of retention of documents) and of 4.74% (10-year period of retention of documents) were used for the calculation of the reserve regarding the obligation to retain business documents.

The residual term of the other reserves is up to 10 years.

Equity

The equity of ECC amounts to EUR 1,015,227. It is divided into 1,015,227 bearer share certificates. The shares can only be transferred with the shareholders' approval.

The capital reserve amounted to kEUR 14,300 on 31st December 2012. Reserves have not changed as against the previous year.

Retained income

The other retained income amounted to kEUR 11,921 (2011: kEUR 6,925). Following the resolution adopted by the annual general meeting in 2011, the 2011 balance sheet profit of kEUR 1,228 was paid out and a share of kEUR 4,996 was added to retained income.

The company's annual profit amounts to kEUR 6,235 (2011: kEUR 6,225).

Total amount of the assets and liabilities denominated in foreign currencies

The liabilities to banks denominated in foreign currencies were assessed at the exchange rate valid on the balance sheet date, i.e. EUR 1 = GBP 0.8161.

Balance sheet item	**Foreign currency amount**	**In EUR**
Liabilities to banks	GBP 60	73.52
Total		**73.52**

3. Notes and Explanations regarding the Profit and Loss Account

The commission fee income and the other operating income were generated exclusively in Germany, while interest expenses were also exclusively incurred in Germany, so that a breakdown according to geographical markets is dispensed with in accordance with Art. 34 Paragraph 2 Figure 1 of the Ordinance Regulating the Accounting Requirements for Financial Institutions and Financial Service Providers (RechKredV).

In 2012, interest income of kEUR 804 was generated. In 2011, interest income of kEUR 2,549 was generated. This decline is due to the generally lower interest rate level.

Income from commission fees

The commission fees of kEUR 22,704 (2011: kEUR 22,870) concerned fees for clearing services by ECC. According to material criteria, the commission fees have the following structure:

Income from commission fees	**2012 kEUR**	**2011 kEUR**
Spot market clearing fees	14,031	15,219
Derivatives market clearing fees	8,456	7,328
Annual fees	153	187
Other income from clearing	64	136
Total income from commission fees	**22,704**	**22,870**

Expenses for commission fees

The expenses for commission fees of kEUR 1,157 essentially comprise volume-dependent system costs.

Other operating income

The other operating income of kEUR 853 (2011: kEUR 478) essentially results from the provisions of services for affiliated companies and shareholders (kEUR 386) and from on-charging of costs and lost revenue (kEUR 224). In addition, there was revenue unrelated to the accounting period of in total kEUR 210. This resulted from the release of provisions (kEUR 126), on the one hand, and from other revenue unrelated to the accounting period (kEUR 84).

General administrative expenses

The general administrative expenses of kEUR 12,251 (2011: kEUR 10,171) include the following items:

General administrative expenses	2012 kEUR	2011 kEUR
Personnel costs	3,174	2,150
Wages and salaries	2,633	1,763
Social insurance contributions	541	387
Other administrative expenses	9,077	8,021
Expenses for business management services	5,590	4,179
Systems expenditure	1,751	1,876
Overheads & marketing	957	984
Consultation services	779	982
Total	**12,251**	**10,171**

The general administrative expenses comprise project costs of kEUR 174 for a clearing cooperation which was not realised. During the financial year, expenses unrelated to the accounting period of kEUR 11 were generated.

Other operating expenses

The other operating expenses of kEUR 613 (2011: kEUR 701) essentially comprise expenses from an input tax adjustment (kEUR 569), which was based on sales which are exempt from sales tax.

Taxes on income and profit

In total, trade tax and corporation tax of kEUR 3,012 (2011: kEUR 3,294) have to be paid on the profits for the financial year 2012.

4. Other Notes

Structure of collateral

In order to cover the risk which ECC AG has in the event of the default of a Clearing Member the Clearing Members undertake to furnish collateral in cash or in securities in the amount determined by ECC every day or during the day in accordance with the ECC Clearing Conditions. On the balance sheet day, these had the following structure:

Collateral	**31/12/2012 kEUR**	**31/12/2011 kEUR**
Cash funds	549	298
Securities and book-entry securities (after security haircut)	690	1,149
Total	**1,239**	**1,447**

On 31st December 2012, the ECC clearing fund had a value of EUR 129 million (2011: EUR 117 million).

Other financial obligations

The other contractual obligations are listed in the table below:

Contractual obligations	**2013 kEUR**	**2014 kEUR**	**2015 kEUR**	**2016 kEUR**	**2017 kEUR**
Provision of business management services (to shareholder)	4,843	-	-	-	-
Sublease Augustusplatz 9, Leipzig (to shareholder)	75	75	75	75	75
Contract Deutsche Börse AG (basic amount)	765	765	765	-	-
Software maintenance/IT infrastructure	830	-	-	-	-
Vehicle leasing	13	7	8	-	-
Total	**6,526**	**847**	**840**	**75**	**75**

Contingent liabilities

Without any changes as against the previous year, a letter of comfort regarding the liabilities of ECC Lux of up to a maximum amount of kEUR 986 existed between EEC AG and transpower stromübertragungs gmbH.

ECC guarantees trade accounts payable of ECC Luxembourg at an amount of kEUR 72,321 (2011: kEUR 52,670) as of the balance sheet date.

The contingent liabilities exist in order to safeguard the continuity of the business, i.e. in particular the execution of the power and gas deliveries. On account of the protection of the trades concluded with the help of the margins furnished, this does not result in any risk for ECC.

Amounts excluded from distribution

There are no amounts excluded from distribution according to Article 268 Paragraph 8 HGB. The costs of acquisition of the plan assets with regard to deferrals from offsetting of pension provisions correspond to the fair value.

Human resources development

On the balance sheet date, 29 people (2011: 24 employees) were employed at the company. One of these employees was a member of the executive staff. In the financial year under review, on average 26 employees (2011: 21 employees) were employed by the company.

Management Board

Peter Reitz, Leipzig	Chairman (CEO)
Dr. Christoph Mura, Norderstedt (to 31st August 2012)	Member (COO)
Steffen Köhler, Oberursel (from 1st November 2012)	Member (CRO)
Dr. Thomas Siegl, Eschborn	Member (CRO)
Iris Weidinger, Leipzig (from 01st November 2012)	Member (CFO)

In accordance with Article 286 Paragraph 4 HGB, reporting of the amounts of management board compensation is dispensed with.

Transactions with related parties in accordance with Art. 285 Fig. 21 HGB

During the financial year under review, no transactions with related parties which were concluded subject to conditions that are not common on the market were concluded.

Fee for the auditor of the annual accounts according to Art. 285 Fig. 17 HGB

The fee for the auditor of the annual accounts was specified in the EEX consolidated financial statement. The EEX consolidated annual financial statement is published in the German Electronic Gazette.

Supervisory Board
The Supervisory Board has the following members:

Dr. Jürgen Kroneberg (Chairman)	Lawyer, Cologne
Prof. Harald R. Pfab (Deputy Chairman)	Chairman of the Management Board of Sachsen Bank, Fronreute
Jürg Spillmann (Deputy Chairman)	Deputy Chairman of the Management Board of Eurex Zurich AG, Zurich
Roland Werner (Deputy Chairman)	State Secretary, Saxon State Ministry for Economic Affairs, Labour and Transport, Dresden
Dr. Ulf Böge	Former President of the Federal Cartel Office, Meckenheim
Pierre Bornard	Vice-Chairman of the Executive Board of RTE – Réseau de Transport d'Electricité, Fontenay-aux-Roses
Josef Rahmen	Chairman of the Management Board of LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig
Pieter Schuurs	Member of the Management Board of APX-ENDEX Derivatives B.V., Naarden
Vincent van Lith	Director, Deutsche Bank AG, Maintal

During the current financial year, the members of the Supervisory Board received emoluments of kEUR 132 (2011: kEUR 147).

Leipzig, 8th February 2013

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Peter Reitz
Chairman of the Management Board (CEO)

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Steffen Köhler
Management Board (COO)

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Iris Weidinger
Management Board (CFO)

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Dr. Thomas Siegl
Management Board (CRO)

Annex to the Notes

European Commodity Clearing AG, Leipzig

Development of Assets in the Financial Year 2012

	Costs of acquisition and production				Depreciations				Net book values	
	31/12/2011	Additions	Disposals	31/12/2012	31/12/2011	Additions	Disposals	31/12/2012	31/12/2011	31/12/2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1. Intangible assets	**9,825,403.66**	**848,199.50**	**58,612.00**	**10,614,991.16**	**8,468,883.66**	**746,002.00**	**31,688.00**	**9,183,197.66**	**1,356,520.00**	**1,431,793.50**
1350 IT software	2,726,221.26	164,625.00	58,612.00	2,832,234.26	1,369,701.26	746,002.00	31,688.00	2,084,015.26	1,356,250.00	748,219.00
1700 Prepayments for intangible assets	0.00	683,574.50	0.00	683,574.50	0.00	0.00	0.00	0.00	0.00	683,574.50
1500 Goodwill	7,099,182.40	0.00	0.00	7,099,182.40	7,099,182.40	0.00	0.00	7,099,182.40	0.00	0.00
2. Fixed assets	**201,859.80**	**62,806.43**	**0.00**	**264,666.23**	**176,514.80**	**30,875.43**	**0.00**	**207,390.23**	**25,345.00**	**57,2776.00**
5000 Equipment and furnishings	169,894.34	34,864.66	0.00	204,759.00	152,950.34	20,420.66	0.00	173,371.00	16,944.00	31,388.00
6500 Office equipment	17,215.46	21,995.38	0.00	39,210.84	11,962.46	2,735.66	0.00	14,697.84	5,253.00	24,513.00
6700 Low-value assets	5,224.13	5,946.39	0.00	11,170.52	5,224.13	5,946.39	0.00	11,170.522	0.00	0.00
6700 Low-value assets – Compound item	9,525.87	0.00	0.00	9,525.87	6,377.87	1,773.00	0.00	8,150.87	3,148.00	1,375.00
3. Shares in affiliated companies	**18,500.00**	**0.00**	**0.00**	**18,500.00**	**0.00**	**0.00**	**0.00**	**0.00**	**18,500.00**	**18,500.00**
8000 Shares	18,500.00	0.00	0.00	18,500.00	0.00	0.00	0.00	0.00	18,500.00	18,500.00
	10,045,763.46	**911,005.93**	**58,612.00**	**10,898,157.39**	**8,645,398.46**	**776,877.43**	**3,688.00**	**9,390,587.89**	**1,400,365.00**	**1,507,569.50**

Management Report of European Commodity Clearing AG, Leipzig, for the Financial Year 2012

1. About the Company

Operating activities and corporate structure

European Commodity Clearing AG (ECC) with registered offices in Leipzig was established through a spin-off of the services of European Energy Exchange AG (EEX) in the field of clearing and settlement in 2006. It is the leading clearing house for energy and related products in Leipzig. The company which has its registered office in Leipzig had a staff of in total 29 employees on 31st December 2012.

The organisation of clearing and settlement as an independent company regulated by the financial services authorities enables ECC to respond flexibly to the requirements of the market and, at the same time, to provide the security of a regulated environment.

ECC is a credit institution and has a banking license as a central counterparty within the meaning of Art. 1 Paragraph 1 Figure 12 KWG (German Banking Act) in conjunction with Art. 1 Paragraph 31 KWG. In this function, ECC settles the trades concluded between the trading participants on the affiliated markets or registered for clearing and guarantees their fulfilment even if a counterparty defaults. Physical deliveries are settled by European Commodity Clearing Luxembourg S.à.r.l. (ECC Lux), a wholly owned subsidiary of ECC.

The company's objective is to increase the efficiency of clearing and settlement through the integration of different market platforms, products and commodities into a uniform system for the settlement of trades. In addition to the original core function of ECC, i.e. clearing and settlement of the trades of EEX, co-operations with other exchanges have been entered into since 2006. This aims at offering the integrated ECC clearing and settlement services, in particular, on those market platforms which are also used by the EEX trading participants. On account of the business model of EEX, the focus of the current development of ECC is on co-operations with European energy exchanges. At present, ECC co-operates with APX-ENDEX Derivatives B.V. (APX-ENDEX), the Central European Gas Hub AG (CEGH), EPEX SPOT SE (EPEX), HUPX Hungarian Power Exchange Ltd. (HUPX) and Powernext S.A. (Powernext) in spot and derivatives trading in power and gas. A sub-central counterparty relationship has been established with Eurex Clearing AG for the settlement of the trades concluded by Eurex participants in EEX co-operation products.

EEX holds 98.4999 percent of the shares in ECC. Powernext holds a share of 1.5 percent in the shares of ECC and APX-ENDEX also holds one share.

Corporate management

As a German public limited company (AG = Aktiengesellschaft) ECC has the following corporate bodies: the general meeting, the Supervisory Board and the Management Board each with its own responsibilities.

The general meeting appoints the members of the Supervisory Board, adopts decisions on the approval of the activities of the Management Board and of the Supervisory Board and passes resolutions on the appropriation of the balance sheet profit.

The Supervisory Board appoints, monitors and advises the Management Board and it is involved in matters of fundamental importance for the company. Moreover, it adopts the annual financial statement prepared by the Management Board. The Supervisory Board currently has nine members with a term of office of three years.

The company is represented to the outside world by the Management Board, which is in charge of business management. The Management Board consists of the Chief Executive Officer (CEO), the Chief Operating Officer (COO), the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO). Since 1st November 2012, the Management Boards of EEX and ECC have had the same staffing.

Strategy and control

Because of its international network and the partner exchanges connected to it ECC is the leading clearing house for energy and related products in Europe. Through the expansion of its OTC clearing offer, the introduction of simplified "clearing-only" products and the further development and simplification of the clearing service, ECC further expands its position. Furthermore, ECC aims to extend its clearing service to markets outside Europe.

ECC essentially uses the parameters of turnover, costs, EBT, liquidity and the average return on equity to control the company. The average return on equity is calculated as the proportion between the annual net profit and the average equity for the financial year.

The earnings of ECC are influenced, in particular, by the income from commission fees (transaction and annual fees), the interest income and the other operating income. As regards expenses, we differentiate between expenses for commission fees, interest expenses, general administrative expenses, other operating expenses and depreciations. While the commission expenses are variable (i.e. because they are correlated to the amount of the transaction fees, the other expense items have the character of fixed costs (cf. "Earnings, assets and financial situation" for details with regard to this).

Approximately 92.5 percent of ECC's expenses are independent of turnover. As a result, ECC can generate additional business volumes without a significant increase in its costs on account of economies of scale and of scope. However, a decline in its business volumes would have a direct impact on the profitability of ECC, on the other hand.

Furthermore, the internal control system (ICS) of EEX Group, which is also used within ECC, forms a further essential instrument of control for the management.

The said ICS comprises the principles, processes and measures which are employed by the corporate management and implemented in the business processes by the organisational units of EEX Group. In order to ensure a proper course of the business processes and business activities and in order to prevent errors or irregularities or to detect such in due time the following protection and control measures have been implemented within EEX Group: separation of incompatible tasks, principle of dual control, approval processes, access and entry restrictions, job descriptions, documentation of processes in work instructions and checklists, employee training courses and signature guidelines. Furthermore, the rules and regulations are regularly checked as to whether they are still up to date and, if required, they are updated.

As an independent and outsourced unit of EEX Group, the internal auditing department carries out risk-oriented and process-independent examinations in order to check the adequacy and effectiveness of the ICS. The Management Board and the Supervisory Board are informed of the results of these examinations. Furthermore, events during operations (i.e. the failure of business processes on account of insufficient process design, human errors and IT failures or failures on the part of external service providers) are recorded in a centralised form and evaluated regularly in order to identify and remedy weaknesses. Major operating events are regularly reported to the Management Board and the Supervisory Board; if required, reporting is also effected on an ad-hoc basis.

2. Economic Environment

The macro-economic and industry-specific framework conditions which are material for the business operations of ECC and, in particular, for the development of the transaction volumes are outlined below. The effects which these framework conditions had on the development of business in the respective business segments in 2012 are outlined in the following section 2 and in the outlook/forecast report (7.) with a view to the future.

Lasting slow-down in the economy, subdued growth continues

In 2012, the German economy was not able to continue the successes of the previous year. While in 2011 economic growth still amounted to 3 percent, the gross domestic product is expected to grow by only approximately 0.7 percent in 2012.

It was, in particular, the fact that the demand for goods and services reduced significantly on account of the slow-down of the economy on important sales markets worldwide and of the lasting government debt crisis within the Euro zone which put a strain on the German economy. Nonetheless, the situation of the economy in Germany proved to be stable.

For the year 2013, the German Federal Ministry of Economics forecasts a reduced growth of 0.4 percent in the gross domestic product as against 2012.

Situation on the financial markets still tense

The year 2012 was shaped by the debt cut for Greece, various Euro crisis summits and the use of the euro rescue fund (the ESM) by Portugal, Spain and Italy. This helped to prevent excessive increases in interest rates for the countries affected and to calm down the financial markets. Towards the end of the year, the German share index (DAX) reached its highest level since January 2008.

Nonetheless, the fundamental problems within the Euro zone have not been resolved yet. As in the past, the development on the financial markets and the level of debt of certain EU countries still have to be seen as being critical. If the credit rating of strong countries, such as Germany, is affected by the government debt crisis in the Euro zone, this can also have a negative impact on the development of the economy.

Inconsistent development of commodity prices

The development on the German physical power market was shaped, in particular, by the increasing share of renewable energies. For example, the share of green power within the German power mix was 23 percent in 2012 compared with 20 percent in the previous year. Starting at approximately EUR 52 per MWh the price for the 2013 Phelix Baselod Year Future increased to more than EUR 54 per MWh at the end of February 2012 and then declined significantly to EUR 45 per MWh towards the end of the financial year. Moreover, fluctuations of up to 21 percent were recorded in the course of the year.

Compared with the levels of EUR 17 to EUR 20 per tCO_2 which had originally been expected for 2012, the Derivatives Market prices for EU Emission Allowances (EUA) declined even further in the course of the year. Starting at approximately EUR 10 per tCO_2 prices rose again to more than EUR 11 per tCO_2 (November 2012). However, afterwards, it temporarily fell to levels below EUR 6 per tCO_2 (at the beginning of December 2012). At the end of the year, the price was quoted at roughly EUR 7 per tCO_2. The decline in prices was due to the over-allocation of emission allowances to the market which resulted, on the one hand, from the EU emission thresholds from the year of crisis (2009) which were far from ambitious and, on the other hand, from the inflow of CER certificates from third countries.

At the end of the year, the oil price was slightly above the level of the previous year at USD 111 per barrel (Brent type). However, it fluctuated significantly in the course of the year – from USD 126 in March to USD 90 in June. The upward trend observed at the end of the year was primarily due to a decline in stocks and an improved likelihood that the US-American fiscal cliff might be avoided in 2013.

The monthly gas price index EGIX rose continuously in the course of the year (low for the year: EUR 22 per MWh in January 2012) and at EUR 28 per MWh at the end of the year it was significantly higher than its initial level of EUR 23 per MWh at the end of the financial year 2011.

A high volatility (i.e. a high range of fluctuations) of the exchange prices is generally associated with increased trading activities and/or higher volumes.

Slight decline in power consumption in Germany

According to calculations by the Working Group on Energy Balances primary energy consumption only increased insignificantly in the financial year 2012 (approximately 3,753 TWh) compared with the previous year. If we consider the lasting economic growth and the leap year in 2012, this might even be called stagnation. This is e.g. due to the improved energy efficiency and the increasing share of renewable energies in power generation.

According to provisional calculations by the German Association of Energy and Water Industries, a decline to 594 TWh by 1.4 percent was recorded in the field of physical power consumption in Germany in 2012 compared with the previous year. The level of the trading volumes on the exchange power market is e.g. shaped by this physical consumption.

Energy turnaround shaped the market environment in 2012

In 2012, the energy turnaround shaped the framework conditions for the business activities of EEX Group and, as a result, of ECC to a significant degree. For example, the exchange prices for power within the German market area declined as a result of the impact of the energy turnaround. Moreover, the energy turnaround also changed the trading participants’ trading behaviour to a significant degree. In the difficult market environment shaped by the energy turnaround and regulatory developments the trend towards short-term trading continues. On the EEX Derivatives Market, the trading participants were increasingly active in the short-term maturities while longer-term trading transactions were concluded to a lesser degree.

Supervisory legislation developments as cause of restraint in exchange trading

The year 2012 was shaped by a number of supervisory legislation developments which are intended to serve the strengthening of the financial markets and have a direct influence on ECC. Specifically, the EU regulation on OTC derivatives, central counterparties and transaction registers (EMIR Regulation) took effect in July 2012. It is supplemented by the appertaining European regulation standards of the European Securities and Markets Authority (ESMA) which were submitted as final drafts in September 2012 and will take effect at the beginning of 2013. In addition to this, an introductory law regarding the German Banking Act (KWG) which will comprise details regarding the implementation of EMIR and the technical standards of ESMA and EBA in Germany and establish the future supervisory legislation status of central counterparties in Germany will come into force at the beginning of 2013.

A uniform European procedure for licensing and monitoring of central counterparties forms a central aspect of regulation. This requires ECC to apply for a license according to the EMIR criteria in 2013.

Moreover, the regulation package comprises comprehensive requirements for the organisation of a central counterparty. This concerns, in particular, the margin system and the level of equity. ECC has launched an interdisciplinary project for the implementation of the organisational requirements. On account of the conservative requirements for margining, an increase in the trading participants' margin requirements is expected.

Furthermore, the planned changes in the equity requirements in the context of the Basel-III rules which are implemented in Europe with the Capital Requirements Directive (CRD) IV also influence the business of ECC. The CRD IV e.g. requires transactions with central counterparties or the appertaining customer business to be backed with equity. Fundamental changes are planned for the securitisation of the contributions to the Clearing Fund. However, the procedure with regard to this was still under discussion at the time of the preparation of the annual financial statement. Furthermore, there were plans for the rules to take effect in 2013.

3. Overview of the Financial Year

The development of the business of ECC as a service provider for clearing and settlement is connected to the success of the partner exchanges affiliated with it. For this reason, the development of the corresponding markets plays an important role for ECC and is outlined briefly below.

Development of business
In 2012, the market environment was shaped by uncertainties on the market and by hesitation as regards the effects of political and regulatory decisions on wholesale trading, which was reflected, in particular, in lower volumes on the Power Derivatives Market. Nonetheless, the market shares of the trading volume settled through EEX and ECC in the overall market increased last year.

EEX AG, EEX Power Derivatives GmbH (EPD), EGEX European Gas Exchange GmbH (EGEX)

At 47% the settlement of exchange and OTC transactions which are concluded or registered for trading on the markets of EEX (Spot and Derivatives Markets for Natural Gas and Emission Allowances, Coal Derivatives Market), EEX Power Derivatives GmbH (Power Derivatives Market) and EGEX (Gas Spot and Derivatives Market) constituted the essential share in the ECC income from commission fees. In 2011, the individual market divisions of EEX developed as follows:

<u>Power Derivatives Market</u>
The hesitation which the market participants displayed on the exchange markets, e.g., because of the continued crisis on the financial markets and open regulatory questions was reflected in reduced trading volumes at EEX Power Derivatives GmbH. After a difficult financial year 2011, the volumes settled by ECC sank further and declined by 13 percent or by 144 TWh to 931 TWh in 2012. Moreover, the trading participants' willingness to conclude long-term positions in the uncertain energy trading environment also contributed to the volume decline. As a result, year futures were traded much less frequently. On the other hand, the number of contracts traded on the German Power Derivatives Market increased significantly in the year 2012 compared with the previous year. This substantiates that the lower trade volume is also due to a shift in trading activities towards shorter terms.

Clearing of over-the-counter transactions amounted to 471 TWh (2011: 577 TWh). In exchange trading, a volume of 460 TWh (2011: 499 TWh) was settled. At -18 percent the volume of the OTC transactions registered for clearing was again below the values achieved in the previous year and, hence, below expectations. Even though the share of transactions traded through the exchange in the overall volume increased (from 46 to 49 percent), the volume traded through the exchange declined by 8 percent as against the previous year and, as a result, fell short of expectations.

At 20 TWh, the share of the French futures in trading on the Power Derivatives Market amounted to 2 percent of the total volume of EEX Power Derivatives GmbH and, thus, declined significantly in the financial year under review. This is probably due to the effects of the NOME law, which caused volume drops on the entire French derivatives market (comprising both exchange and over-the-counter markets). The regulated tariffs for the procurement of power by medium-sized and large industrial enterprises in France which result from the law have led to a significant reduction in the interest in trading French Power Derivatives.

At EUR 9.1 million (2011: EUR 10.8 million) the revenue which ECC generated from the Power Derivatives Market (the market with the highest sales) was lower than the revenue achieved in the previous year. In the financial year 2012, the revenue from clearing of Derivatives Market transactions concluded off the exchange, in particular, declined to EUR 4.5 million (previous year: 5.6 million). Moreover, the volume from clearing of exchange trading also declined to EUR 4.6 million (previous year: EUR 5.2 million). Each of these two segments accounted for 20 percent of the income from commission fees (2011: 24 percent and 23 percent).

Since 22nd November 2012, ECC has offered clearing services for Phelix Day and Weekend Futures, which are traded on EEX Power Derivatives GmbH or which can be registered for OTC clearing. As a result, the trading participants now have another product at their disposal which takes account of the continued trends towards increased flexibility and short-term products on the Derivatives Market.

Gas Spot and Derivatives Market

On 1st January 2012, spot and derivatives trading in natural gas were spun off into a wholly owned subsidiary of EEX - EGEX.

Trading volumes in natural gas trading increased significantly and even exceeded expectations on the Spot Market. This underlines the successful further development and increasing importance of this market segment.

At 36 TWh the clearing volume of natural gas spot transactions was 56 percent higher than in the previous year (23 TWh). In the field of derivatives transactions in natural gas an increase to 40 TWh by 4 TWh (2011: 36 TWh) was achieved.

In the field of clearing and settlement of EGEX gas trading (Spot and Derivatives Market), revenue amounted to kEUR 1,303 (2011: kEUR 829) in the financial year under review.

Since 18th June 2012, clearing of EGEX Gaspool Season Futures has been offered on ECC. Furthermore, the option of registering NBP Futures for OTC clearing on ECC through EGEX has been offered since the end of February 2012.

As a result of the expansion of the product cooperation between EEX and/or EGEX and Eurex the trading participants can now trade the EGEX gas products and clear the trading transactions on ECC on the basis of their membership in Eurex.

In November 2012, EEX and Powernext signed a memorandum of understanding regarding a co-operation on the gas market. Both companies are planning to bundle their activities on the gas market and their knowledge with the aim of establishing a pan-European gas market.

Spot and Derivatives Market for Emission Allowances
ECC generates income from clearing and settlement of secondary market transactions as well as the corresponding primary market auctions of EU emission allowances on the Spot and Derivatives Market of EEX.

Following a decline in 2011, a considerable increase in the trading and clearing volumes on the emissions market was observed in 2012. The volume on the Spot Market increased by 85.6 million EUA compared with the previous year, while the volume on the Derivatives Market rose by 62.3 million EUA. On this market, the primary market auction whose volume increased to 105.2 million EUA (+84.2 million EUA) on the Spot Market and to 60.0 million EUA on the Derivatives Market (+35.5 million EUA), in particular, was a key factor for success. Moreover, this positive trend also had an effect on the Secondary Market. The secondary volumes on the Spot and Derivatives market increased to 6.0 million EUA (+30 percent) and to 83.4 million EUA (+47 percent) respectively.

In the financial year 2012, the revenue from clearing of emission allowances amounted to kEUR 271 and was, hence, 82 percent higher than in the previous year.

EEX carries out auctions of EUA and EU aviation allowances (EUAA) of the second and third trading period of the European Emissions Trading Scheme on behalf of various EU member states and institutions.

In 2012, 166 auctions were carried out for five countries, the European Investment Bank (EIB) and on behalf of the EU. In this context, EUA and EUAA of the second trading period were auctioned. Moreover, auctions of, in part, certificates for the third trading period ("early auctioning") were also carried out.

On the secondary market, the growth in trading was boosted by product innovations. In the first half of 2012, the Spot and Derivatives Market for EUAA and the Derivatives Market for Emission Reduction Units (ERU) were launched. In December 2012, short-term trading in Certified Emission Reductions (CER) was launched.

Coal Derivatives Market
During the past trading year, coal trading on EEX came to a standstill. This unsatisfactory development is the result of the trend towards over-the-counter platforms on the global coal market. However, in the past financial year, EEX was able to pave the way for a revival of its coal business segment. Amongst other measures, the ECC OTC clearing offer for the coal business segment was expanded with so-called straight-through processing (STP) solutions and, as a result, it has become more attractive for over-the-counter coal trading. Furthermore, there are plans to introduce new products for the coal market, which are being developed in close consultation with the trading participants, in 2013.

In 2012, the revenue from the settlement of trading in coal futures on EEX was marginal and amounted to kEUR 0.3 (previous year: kEUR 7).

Clearing Co-operations
The settlement of all transactions which are not traded through the market platforms of EEX, EEX Power Derivatives GmbH or EGEX but which are registered for clearing through co-operations with exchanges outside the scope of EEX Group are allocated to the business segment "Clearing Co-operations". This business segment again developed positively and, at 52 percent (+5 percent as against the previous year) it made a bigger contribution to the income from commission fees than the EEX markets for the first time in 2012. The development of the individual co-operations was as follows:

EPEX

The Spot Markets for Power with delivery in Germany, France, Austria and Switzerland, which are concentrated within EPEX, all generated a consistently positive development. The volume traded on the Power Spot Market through EPEX increased by 8 percent to 339 TWh (2011: 314 TWh). As a result, the revenue in this segment increased to EUR 6.8 million (2011: EUR 6.2 million) by ten percent.

Compared with the previous year, the Swiss Spot Market accounted for the highest percentage increase in the day-ahead auctions. In this case, an increase in volume by 38 percent compared with the previous year was observed. In intra-day trading the French Market, in particular, gained liquidity with an increase of 28 percent.

Furthermore, the company benefitted from the transmission system operators' obligation to market volumes of power from renewable energies on a power exchange which has applied since 2010 in the framework of the German Renewable Energies Act (EEG) and is specified in more detailed in the Ordinance on the Nationwide Equalisation Scheme (AusgleichsMechV), and from the possibility of direct marketing of power on the exchange which was established in January 2012.

Moreover, market coupling within the Central Western Europe (CWE) market area which was launched in 2010 facilitates trading of power across borders and has also contributed to the positive development of the Power Spot Markets.

In addition, EPEX strengthened its role as a service provider for power exchanges in Europe. On 11th September 2012, EPEX launched trilateral market coupling between Slovakia, the Czech Republic and Hungary based on the COSMOS algorithm (which is also used within the CWE market area) on behalf of the local power exchanges.

In 2012, the market coupling project in North West Europe (NWE, consisting of the United Kingdom and the Nordic countries), in particular, was promoted. This project is to be implemented in 2013. From 2014, market coupling is to include all EU member states as well as Switzerland and Norway. The price coupling algorithm developed in a project involving five further European power exchanges in the framework of the "Price Coupling of Regions" initiative will be used in NWE for the first time in 2013.

As early as in December 2011, 15-minute contracts were introduced for the German market area on the EPEX intraday power market. The cumulated trading volume in these contracts amounted to 1.3 TWh, which corresponds to a share of 8 percent in German intraday trading. Furthermore, intraday trading was also launched within the Austrian market area on 16th October 2012. In December 2012, the EPEX exchange council approved the introduction of an Intraday Market for Switzerland in 2013. These contracts will also be settled by ECC.

APX-ENDEX

The revenue from the transactions in TTF Natural Gas Futures, Dutch Power Futures and Belgian Power Futures concluded on APX-ENDEX increased to kEUR 3,510 (previous year: kEUR 3,020) by approximately 16 percent. The increase in the power segment (25 percent) was higher than the increase in the gas segment (14 percent). UK Power Futures were not settled in the past business year.

In February 2012, the APX-ENDEX product portfolio was expanded with time spreads for the TTF Derivatives Market. Furthermore, APX-ENDEX has offered three additional month contracts of the TTF Gas Futures for trading since October 2012. In addition, APX-ENDEX endeavours to further increase the liquidity of its trading platform through market making and to facilitate the registration of OTC transactions by brokers on the basis of the introduction of eXRP in September 2012.

In December 2012, APX-ENDEX terminated the Clearing Services Agreement with ECC. As a result, it is likely that, as of the end of the financial year 2012, no further revenue will be generated through this partnership.

Powernext

In the past financial year, ECC generated revenue of kEUR 498 (previous year: kEUR 882) on the Derivatives Market and of kEUR 688 (previous year: kEUR 539) on the Spot Market with regard to the settlement of French Natural Gas Futures and French Natural Gas Spot products and of the spread contracts between the GRTGaz Nord and GRTgaz Sud market areas.

In the third quarter of 2012, the offer of French Powernext gas derivatives contracts was expanded with GRTgaz Nord year futures and with an additional maturity of the GRTgaz Nord quarter futures. Furthermore, EEX is planning to introduce TTF Gas Futures and, as a result, to include a further market area in its product portfolio in 2013.

HUPX

Clearing of the Hungarian power spot market as well as the settlement of the Hungarian Power Futures developed positively in 2012. Overall, sales revenue of kEUR 239 (2011: kEUR 90) was generated. As a result, the significant growth which had been generated in 2011 was continued in 2012 and expectations were exceeded.

Since September 2012, the Czech, Slovak and Hungarian day-ahead power markets have been coupled in a form similar to the markets in Central and Western Europe (CWE). Moreover, HUPX is planning to expand its product range with physically settled week futures in 2013.

The successful development of the Hungarian power market confirms the contribution which ECC makes to the development of regional energy markets. In this context, trading participants and Clearing Members benefit, in particular, from the netting-out and cross-margining effects and the standardised ECC settlement processes.

CEGH

In the financial year 2012, the total revenue from the cooperation with the CEGH of the Vienna gas exchange rose (+20 percent) compared with the previous year and reached kEUR 61. Following the introduction of the Trayport trading system in July 2012, significant increases in volumes and turnover were recorded both on the spot and on the derivatives market.

On account of changed regulatory framework conditions (e.g. introduction of a virtual trading hub for the eastern market area from 2013, mandatory settlement of all balancing energy transactions through the exchange) and the pipeline projects which are planned for the medium to long term (e.g. Nabucco) exchange trading is expected to increase further over the coming years. Moreover, the introduction of a within-day market is planned for 2013.

Development of the Open Interest

On 31st December 2012, the open interest totalled EUR 33 billion (2011: EUR 38 billion) and, hence, declined by approximately 13 %.

	2012	2011
	kEUR	kEUR
Futures (power)	23,900,522	31,073,812
Futures (gas)	8,647,592	6,800,192
Futures (EUA)	457,575	89,052
Futures (coal)	0	11,719
Options (power)	1,277	2,074
Total	**33,006,967**	**37,976,849**

For mathematical reasons, differences in the amount of ± one unit (TWh, EUR, %, etc.) can arise in the tables as a result of rounding.

Further developments

In the past financial year, ECC further expanded its clearing offer. In response to the growing regulatory requirements and the growing importance of clearing, more products for clearing of over-the-counter activities are to be introduced. In this respect, the customers are also offered an added value on account of the possibility of using cross-margining advantages.

For example, OTC clearing of NBP gas contracts was introduced in February 2012 and the OTC clearing solution for Romanian power derivatives contracts was introduced in December of the year under review. However, volumes in NBP Gas contracts were not generated initially and the development in Romanian power futures remains to be seen. In parallel with this, the OTC clearing offer was supplemented with so-called straight-through processing solutions. These solutions permit the fully automated submission of transactions for clearing and, as a result, minimise the administrative effort required on the part of the trading participants.

Furthermore, a large number of other OTC power, gas and coal products is scheduled to be introduced in 2013.

In the context of the increased flexibilisation for its customers and in order to generate savings potentials for the customers, ECC is working to ensure that EUA certificates can be accepted as eligible collateral in the future.

At the end of 2012, there were plans to take over clearing of the Emissions Derivatives Market of the French Bluenext SA (Bluenext). However, because of the discontinuation of the business activities of Bluenext as of 5th December 2012, no revenue was generated from this co-operation. But the partner exchange model of ECC was expanded with the Czech Power Exchange Central Europe a.s. (PXE). Starting in 2013, ECC will provide clearing for Czech, Slovak and Hungarian power derivatives contracts of PXE and for the Czech PXE power spot market.

In the framework of its efforts to expand its clearing service to markets beyond Europe ECC was able to publish a basic document outlining the advantages of trading operated and cleared through the exchange together with EPEX and the Brazilian Chamber for the Commercialisation of Electric Energy (CCEE) in November. The parties are jointly working on measures to develop trading and clearing solutions for the Brazilian power market. Furthermore, licensing as a clearing house in the USA is also conceivable for ECC – provided there is a corresponding demand for clearing services.

In 2012, ECC admitted, in total, four new Clearing Members. The number of participants in clearing (which includes Non-Clearing Members) rose to more than 300 as of the end of the year.

4. Earnings, Assets and Financial Situation

Earnings situation

At EUR 21.5 million, the income from commission fees increased by 2 percent as against the previous year. The main reasons for the positive development of results in the financial year 2012 again included the strong clearing income from the co-operations– in particular, with EPEX, APX-ENDEX and HUPX – but also the EGEX and EEX gas and emissions markets. Furthermore, the renegotiations of the contracts for the use of the EUREX clearing system which led to reduced commission fee expenses have also had a positive effect on the income from commission fees.

At EUR 22.7 million, the income from commission fees which consists of transaction fees and annual fees (share of the annual fees in the income from fees: 1 percent) is EUR 0.2 million or -1 percent lower than in the previous year (EUR 22.9 million).

In 2012, for the first time, the predominant share of the income from commission fees was no longer generated from clearing and the settlement of the trading transactions of EEX Group (47 percent). This also includes the revenue generated on the Power Derivatives Market of EEX Power Derivatives GmbH which accounted for 40 percent (previous year: 47 percent) of the income from commission fees. In 2012, the revenue from the settlement of power derivatives transactions again declined from EUR 10.8 million in 2011 to EUR 9.1 million by -15 percent for the second year running. The gas business segment of EGEX which increased by 57 percent and, hence, contributed a share of 6 percent to the ECC income from commission fees showed a consistently positive development.

The revenue from clearing of the Power Spot Market increased by 10 percent or EUR 0.6 million from EUR 6.2 million to EUR 6.8 million and at 30 percent (previous year: 27 percent), it formed the second-biggest segment within ECC. Furthermore, the market premium model for the direct marketing of renewable energies which took effect on 1st January 2012 had a positive effect on the earnings situation in this segment.

The APX-ENDEX derivatives market constituted another mainstay of revenue. At EUR 3.5 million, transactions in TTF Natural Gas Futures, Dutch Power Futures and Belgian Power Futures accounted for a share of 15 percent (previous year: EUR 3.0 million, 13 percent) in the income from commission fees.

Clearing of the Powernext spot and derivatives transactions on the French gas market generated EUR 1.2 million (previous year: EUR 1.4 million) and, thus, contributed 5 percent (previous year: 6 percent) to ECC's income from commission fees.

In 2012, the expenses for commission fees declined not only on account of a slight decline in the income from commission fees as against the previous year but also because of a lower sales-dependent percentage fee charged for the use of the Eurex clearing system and reached an amount of EUR 1.2 million as against EUR 1.8 million in 2011.

In the financial year 2012, the interest result totalled kEUR 419 and was, hence, kEUR 119 lower than the value for the previous year. This is due to the decision taken by the European Central Bank to lower the base rate to 0.75 percent in July 2012. In spite of higher stocks of cash collateral invested in interest-bearing investments this interest rate cut could not be compensated.

During the year under review the other operating income increased significantly and, at kEUR 853, it was 79 percent higher than in the previous year (kEUR 478). This development was primarily due to positive one-off effects from on-charging of project expenses and the reimbursement of clearing fees lost on account of the fee holiday on the French power derivatives market.

Compared with the previous year, the general administrative expenses increased to EUR 12.3 million (previous year: EUR 10.1 million) by 20 percent primarily on account of the human resources expenses (which increased by 48 percent) and because of services charged by other group companies which were 34 percent higher. Human resources expenses increased from EUR 2.1 million to EUR 3.2 million as a result of the implementation of the planned expansion of staff. Furthermore, this value also reflects the one-off effect resulting from changes in the staffing of the Management Board in August 2012. On the other hand, savings (-9 percent) were achieved in the field of the other administrative expenses which remained after human resources and intercompany expenses (in particular for systems expenses and expenses for consultancy services).

In 2012, the other operating expenses decreased from kEUR 613 (2011: kEUR 701) essentially on account of lower non-deductible input tax (kEUR -105).

The depreciations of kEUR 777 (previous year: kEUR 1,830) essentially comprise scheduled depreciations on capitalised software and systems. In 2011, the goodwill of kEUR 1,183 was depreciated to zero as scheduled.

As a result, an EBT of EUR 9.2 million was achieved in 2012. This is 2 % below the reference value for the previous year (kEUR 9.4). However, at EUR 6.2 million the annual net profit remained constant as against the previous year.

As a result, the return on equity after taxes of 23 percent declined as against the value for the previous year (28 percent). The average return on equity in the year under review was 22 percent. In this context, the return on equity is calculated as the annual profit in relation to the average equity for the accounting period. In 2012, this parameter is again at a high level and illustrates the company’s high earning power – even in a market environment which continues to be difficult.

Asset situation

ECC’s asset situation is shaped by its business activities as the central counterparty for trading on energy exchanges. In this context, a special focus is on the trading platforms of EEX Group for which ECC provides the settlement of transactions.

On the balance sheet date, the balance sheet total was EUR 649.0 million and it was, hence, EUR 290.1 million higher than the balance sheet total for the previous year (EUR 358.9). It is essentially shaped by accounts receivable from banks.

These, in essence, result from the investment of the cash collateral of in total EUR 613.3 million (previous year: EUR 328.1 million) for hedging of transactions with regard to which there were liabilities of an identical amount towards the Clearing Members for the Spot and Derivatives Market. On 31st December 2012, the cash reserve amounted to EUR 139.9 million (previous year: EUR 2.3 million).

Intangible assets amounted to EUR 1.4 million and, hence, increased by kEUR 75 as against the previous year (EUR 1.4 million). On the balance sheet date, the other assets amounted to EUR 10 million and essentially comprised input tax receivables from the competent tax office in Luxembourg and accounts receivable from affiliated companies.

The increase in accruals from kEUR 286 to kEUR 467 is mainly due to the capitalisation of change requests.

The liabilities to banks were dominated by the cash collateral of those Clearing Members that are credit institutions and totalled EUR 304.8 million.

The liabilities to customers comprise cash collateral of EUR 308.5 million provided to ECC by Clearing Members (in as far as such are not credit institutions).

The company's equity shown in the balance sheet increased from EUR 28.5 million to EUR 33.5 million (before profit distribution). As in the previous year, the subscribed capital and the capital reserve still amount to EUR 1 million and EUR 14.3 million respectively. An annual net profit of EUR 6.2 million is reported.

The debt ratio as the share of the long-term and short-term debt in the balance sheet total after adjustment for cash collateral was 6 percent (previous year: 7 percent). The long-term liabilities concern archiving provisions which do not lead to any future interest liabilities or other liabilities. ECC was able to cover all its expenses with its revenue at all times and generated a significant surplus. Credit lines by external lenders did not have to be used in the financial year and are not be used in the financial year 2013 either. There is a letter of comfort for liabilities of the subsidiary ECC Lux towards a transmission system operator. Moreover, ECC guarantees the fulfilment of the obligations of ECC Lux towards trading participants on the Spot Markets with regard to which ECC Lux has assumed the delivery or acceptance of commodities.

Financial situation

As a credit institution, ECC establishes the solvency ratio in accordance with requirements under supervisory legislation (Regulation on Adequate Equity Resources of Institutes – German Solvency Regulation (SolvV)).
The values as of the reporting deadlines amounted to between 47.5 percent and 64.3 percent and, as result, they were above the required minimum value of 8.4 percent at all times.

The liquidity ratio according to the Regulation on the Liquidity of Financial Institutions (German Liquidity Regulation, LiqV) is established as a further important indicator. To this end, cash and cash equivalent are compared with the payment obligations at the end of the month. This resulted in ratios of between 1.01 and 1.05. These values were above the minimum value of 1 required under supervisory legislation at all times.

In the financial year 2012, the stock of cash and cash equivalents increased to EUR 22.6 million by EUR 3.4 million. Thanks to the high internal financing strength, the company will continue to carry out the investments – in particular, the planned expenses for cooperation and expansion projects as well as the investments in the IT landscape – which are required in order to preserve the company's good competitive position.

Summary

In particular against the background of the economic situation in 2012 which continued to be difficult, the Management Board assesses the earnings, assets and financial situation achieved as being positive. Even though the results are slightly below those for the previous year, the company was able to generate a good return on equity and retain its sound capital base in spite of the negative overall economic development and the difficult market situation described.

5. Employees

At the end of the year 2012, the company had 29 employees. At the end of the previous year, ECC employed a staff of 24.

The age structure is as follows:

Age group	Number of employees	Percent
< 30 years	8	28 %
30 to 39 years	15	52 %
40 to 49 years	6	21 %
>/= 50 years	0	0 %
Total	**29**	**100 %**

For mathematical reasons, differences in the amount of ± one unit (TWh, EUR, %, etc.) can arise in the tables as a result of rounding.

The share of employees with an academic degree was 86 percent. This share refers to employees with a degree from a university, a technical university or a university of co-operative education. On the balance sheet date, female employees accounted for 48 percent of the staff. As of the balance sheet date, the company had four executive positions, one of which was occupied by a woman.

6. Risk Management

Risk management system and targets

ECC is a central counterparty within the meaning of Art. 1 Paragraph 1 Figure 12 KWG [German Banking Act] in conjunction with Art. 1 Paragraph 31 KWG. The Management Board of ECC holds overall responsibility for the wording and implementation of the business and risk strategy. This, in turn, establishes the framework for the design of the ECC risk management system. The detailed design is based on the requirements of Art. 25 a Paragraph 1 KWG and the "Minimum requirements for risk management" by the German Federal Financial Supervisory Authority (BaFin) derived from these.

ECC differentiates between the following risk categories which are controlled in accordance with specific risk management principles:

- Default risk
- Operational risk
- Liquidity risk
- Market price risk
- Business risk
- Compliance risk

On account of the ECC business model, the operational risks and the default risks constitute the essential risk categories for ECC.

As the main risk category of ECC default risks are fully covered by the margin system. The operational risk is calculated using the basis indicator approach on the basis of the volume of revenue and it is then considered with regard to the risk-bearing capacity. Measured against the volume of risk coverage the remaining risk categories are of subordinate importance. The total of all risks is covered by the volume of the risk coverage funds available at all times. The determination of risks and the comparison with the available risk coverage volume are effected, at least, on a monthly basis.

With regard to the organisational structure there is a clear separation of functions: The business risk is controlled by the Management Board of ECC. The operating divisions are in charge of the on-going measurement and control of risks in the context of the specified risk management principles. Monitoring of limits set and reporting to the Management Board and the Supervisory Board are effected centrally by the Risk Controlling department. This department is not responsible for the operating business and reports directly to the Chief Risk Officer of the company.

The monthly risk report constitutes the main tool for informing the Management Board about the risk situation. This report is supplemented by daily and weekly reports regarding specific aspects (e.g. the structure of the collateral, the development of the Clearing Members' ratings and stress test results) as well as ad-hoc reports if there are material matters. The risk situation is discussed with the Supervisory Board on a quarterly basis.

The Internal Auditing department checks the adequacy and operability of the individual elements of the risk management system at regular intervals in accordance with the risk-oriented test schedule adopted by the Management Board. In this respect, essential departments are checked at least once a year.

Counterparty risk

Since, as the central counterparty, ECC steps into the chain between the buyer and the seller, it assumes both parties' default risks. For this reason, the counterparty risk constitutes one of the most important risks of ECC. At the same time, hedging of this risk constitutes ECC's main task.

One element of the risk strategy of ECC is to fully cover this counterparty risk at all times by building lines of defence. These lines of defence consist of the following essential components:

- Conditions for admission: Only institutions which are based in the EU or in Switzerland, which have sufficient financial strength as well as the operating facilities for the settlement of the clearing business, can be admitted as ECC Clearing Members. This is checked in the framework of the admission process and monitored continuously.
- Guarantee by the Clearing Members: The Clearing Member supporting the trading participant guarantees all obligations of the trading participants, e.g. arising from the provision of collateral, the delivery of commodities or the daily profit-and-loss settlement. All payments are collected directly by the Clearing Member. Only the clearing fees owed are exempt from this guarantee.
- Daily profit-and-loss settlement: Accrued profits and losses are offset on a daily basis and credited to the respective Clearing Member or debited from it.
- Individual margins: Individual margins cover the potential losses from an open position with a security level of 99 percent during a specified holding period.
- Intraday margin calls: ECC is entitled to carry out intraday margin calls and to request additional collateral at all times if this is required on account of the market or risk situation.
- Clearing fund: The clearing fund is a joint form of security provided by all Clearing Members. It covers potential losses which are not covered by individual margins. The amount of the clearing fund is established on the basis of stress tests which are carried out on a daily basis. These tests simulate the effects of the default of one or several participants under the assumption of various extreme but plausible market price developments. ECC's own contribution to the clearing fund (currently: EUR 3 million) is deducted from the clearing fund established in this way. In addition, an individual minimum contribution is established from the historical additional individual margin of a given Clearing Member (including its Non-Clearing Member and customer positions) over the last twelve months. Depending on the assessment of a given Clearing Member's risk ECC also establishes an absolute minimum contribution for the amount of the contribution to the clearing fund.

- Formation of reserves: ECC forms reserves for the clearing fund from its profits in order to contribute to the fulfilment of the obligations of a Clearing Member that has defaulted if required.
- Obligation to replenish the clearing fund: The clearing fund has to be replenished to the original amount within a period of ten business days after it is used. In as far as a Clearing Member is in default, contributions to the clearing fund are released at the earliest one month after all obligations of the Clearing Member that has defaulted have been settled.
- ECC's own resources: ECC's own resources cover potential losses that are not covered by individual margins or by the clearing fund.
- Collateral requirements and collateral haircuts: ECC accepts cash collateral and collateral whose market price fluctuations are covered by adequate collateral haircuts. Collateral is re-assessed at least on a daily basis and concentration risks are taken into account. Wrong-way risks are considered by banning the submission of own issues as collateral.

Furthermore, a potential counterparty risk arises with regard to the investment of cash collateral received on the part of credit institutions. For this reason, these funds are exclusively invested in overnight investments with minimum risk at development banks with a zero weighting under supervisory legislation or as reverse repo transactions with approved counterparties and securities with the lowest possible credit risk and the highest possible liquidity. The potential losses arising from the default of due clearing fees are low and are considered in the risk coverage assets.

On the balance sheet date (31st December 2012), the collateral stock amounted to in total EUR 1,367 million. On the other hand, there were margin requirements of EUR 1,118 million.

Operational risk

At ECC, operational risks are defined as comprising all potential cases of damage resulting from:

- Malfunctions of the IT systems used,
- Inadequate design of internal processes,
- Errors by employees,
- Errors by or default of external service providers and
- Legal risks.

The ECC risk strategy pursues the superior aim of minimising operational risks by means of the far-reaching automation in connection with approved methods of systems development and comprehensive test procedures. ECC provides core services itself and also uses external service providers in order to generate economies of scale (in particular as regards system operations). The quality of the service providers is examined in the framework of the selection process and continuously on the basis of the service level agreements concluded. Operational risks are identified and assessed in the context of an annual self-assessment.

Back-up processes have been implemented for critical business processes and are tested regularly. Moreover, the quality of internal controlling is checked regularly by ICS.

In the context of the conclusion of balance agreements, priority rules for the nominations by ECC are aimed at – in as far as such are negotiable.

In addition to this, ECC also has insurance with regard to cases of damage caused by errors in commercial operations (E&O insurance) in the framework of the pecuniary damage liability insurance of Deutsche Börse AG (group policy). The potential losses from operating risks remaining after the payment of insurance sums are considered at the amounts required under supervisory legislation in the risk-bearing capacity concept.

Internal processes are described in the "written rules of procedure" of ECC. These contain process descriptions and controlling activities for all essential processes. They are documented in checklists in order to reduce the likelihood of human errors or omissions.

Legal risks are minimised through the use of the standard set of rules and regulations of ECC in combination with standardised contract forms.

A damage database is kept for the on-going monitoring and reporting of cases of damage during operations. In this database, all operating events (even if such have not led to any direct financial damage) are recorded in a decentralised form and, afterwards, analysed in a centralised form.

During the year under review, no major damage which could lead to the conclusion that there might be an increased likelihood of the emergence of such cases of damage in the future was caused.

Liquidity risk

Liquidity risks can arise both from the settlement of the on-going business and in the event of a default of a Clearing Member.

On account of the pursued business strategy, the settlement of the on-going business does not lead to any material differences in time periods. The ECC risk strategy pursues the aim of avoiding differences in time periods in the balance sheet by means of an adequate investment policy. The financing requirements for current expenses (incl. profit distributions) and investments are planned and covered in the framework of medium-term planning. Any unplanned funding shortfalls (which might essentially result from taxation matters) are covered by providing liquidity reserves. Supervision and reporting regarding the liquidity risk are effected on the basis of liquidity ratios as per supervisory legislation, a continuous twelve-month liquidity forecast and the analysis of the liquidity impact of various business development scenarios.

The default of a Clearing Member and the effects on liquidity connected with it are controlled on the basis of the high requirements placed on the convertibility of collateral to be furnished into cash, adequate collateral haircuts on collateral provided and on the limitation of risk concentrations with regard to the collateral received.

Market price risk

On account of the positions which are closed on principle in the clearing business, there are no market price risks. The market price risks resulting from the remaining business operations (essentially currency risks) are insignificant and controlled in line with the respective situation.

Business risk

The ECC sales revenue largely depends on the volume settled. Therefore, the essential business risk consists of the company's dependence on only a few high-revenue markets and a potential decline of revenue while fixed costs remain unchanged.

ECC's risk strategy aims at controlling this risk. This is done by avoiding fixed costs in as far as possible by opting for variable cost components, by inclusion in risk reporting, by comparisons with competitors and by means of monthly financial reporting with target-actual comparisons.

ECC monitors the regulatory changes in co-operation with the European Association of CCP Clearing Houses (EACH) and uses these sources to assess and control these strategic risks.

In addition to purely quantitative analyses, ECC also carries out qualitative evaluations of the potential stress scenarios. According to the technical standards of ESMA it must be able to continue its business operations for a period of, at least, six months even if all inflows of funds cease and, therefore, it has to maintain own resources for this case. For this reason, a full erosion of the business model is also taken into account in the calculation of the EMIR parameter and in the scenario observations (reverse stress test) and it is also contained in the calculation regarding the risk-bearing capacity.

Furthermore, the technical standards require ECC to provide own funds in the amount of, at least, 25 percent of the annual gross expenses in order to cover the business risk. This was also integrated in the calculation regarding the risk-bearing capacity in the course of the financial year under review.

Further business risks which might have an impact on the company's success are addressed in the section "Opportunities and risks".

Compliance risk

ECC settles all transactions via Clearing Members. Since, as banking institutions, these are subject to the rules of the German Banking Act (KWG) (or of other equivalent European rules and regulations) regarding the implementation of measures to fight money laundering, financing of terrorism and fraud, ECC only has a low risk of being abused for money laundering, financing of terrorism or fraud. This risk is analysed and re-evaluated on an annual basis. Moreover, ECC has convinced itself that the Clearing Members have put in place adequate measures to fight money laundering.

The ECC risk strategy aims at identifying any suspicious counterparty as early as during the initiation stage of the business relationship by means of know-your-customer measures which are developed and implemented in co-operation with the exchanges and markets for which ECC provides clearing. During the admission process of the exchanges and markets and of the Clearing Members, all potential counterparties are checked. In the event of justified doubt in the ECC admission process, a decision by the ECC Management Board or by its CRO is brought about.

Sensitive information and information which has to be protected is treated with the strictest confidentiality by ECC. Moreover, rules on good conduct have been established for the company's employees.

Summary presentation of the risk situation

The equity available to cover risks is derived from the equity of ECC shown in the balance sheet less intangible assets. On 31st December 2012, the entire risk coverage assets amounted to kEUR 25,059.

Potential losses from the default of ECC Clearing Members are covered by the multi-tier margin system of ECC. For this reason, this risk category is not compared as against risk coverage assets. On the basis of historical time series, the possible losses from the default of trading participants were estimated at kEUR 17 per year for a normal case (worst case scenario: kEUR 566) as of 31st December 2012.

With regard to operating risks capital requirements of kEUR 296, which were established on the basis of historical time series, were assessed in the basic scenarios. The equity requirement according to the basis indicator approach is used as the worst case scenario. This, in turn, results in capital requirements of kEUR 2,935.

In order to quantify the business risk the effects of various stress scenarios of the development of business on the planned EBT are analysed. Under the basic scenario this does not result in any capital requirements, while capital requirements amount to kEUR 949 in the worst case scenario.

In addition to this, the capital requirements for winding down in accordance with the requirements of the ESMA Technical Standards (coverage of the gross expenses over six months, so-called "wind-down costs") and for covering the business risk (25 percent of the gross expenses during the previous year) are determined. On 31st December 2012, the capital required to this end amounted to kEUR 12,381.

The risk coverage assets available to cover risks are considered as being sufficient to cover the expected risk at all times.

The overall assessment for the financial year 2012 did not reveal any threats to the continuation of business on account of individual risks or of the aggregated risk item. The Management Board does not expect any material changes in the ECC risk profile for the next financial year.

7. Outlook/Forecast report

EEX pays a high degree of attention to the growing pressure from the competition which results from regulatory uncertainty, growing customer requirements and the increasing professionalisation of the exchanges and clearing houses. It is optimistic as regards the challenges arising from this on account of the competitive value chain within EEX Group which comprises trading platforms with a high liquidity and cost-effective clearing solutions. ECC has set itself the aim of growing at above-average growth rates, thus, further boosting its role as the leading energy clearing house in Europe.

Together with EEX, ECC will offer a number of standardised energy products for clearing which have not been offered on EEX or one of the ECC partner exchanges so far. This aims to provide the participants with a comprehensive offer of risk management services also for the most important European OTC energy markets. Furthermore, a new category of participants will be included in the rules and regulations. Market participants who wish to participate in OTC clearing only can be registered as OTC participants using a simplified admission procedure.

Last not least, EEX and ECC will maintain their partnership model and expand it – provided this is commercially sensible and possible. For this reason, EEX and Powernext signed a memorandum of understanding regarding a co-operation on the gas market in November 2012. Both companies are planning to bundle their activities on the gas market as well as their knowledge with the aim of establishing a pan-European gas market. Following the concentration of the products in one system, spread products between the respective market areas (NCG, GPL, TTF, PEG Nord, PEG Sud and TIGF) can be traded in the context of the cooperation in the future. ECC will be the central clearing house for all spot, derivatives and spread products of the market areas offered in the framework of the co-operation. Depending on the fulfilment of the required regulatory and cartel legislation requirements the co-operation is to be launched in the first quarter of 2013.

With the Czech power exchange PXE, ECC will offer clearing for Czech, Slovak and Hungarian power derivatives contracts of PXE for the Czech PXE power spot market from 2013.

In the framework of the efforts to expand its clearing services to markets beyond Europe, ECC was able to publish a basic paper outlining the advantages of trading operated and cleared through the exchange together with EPEX and the Brazilian CEE. The parties are working together to develop trading and clearing solutions for the Brazilian power market. Furthermore, admission as a clearing house in the USA is also conceivable for ECC – provided there is a corresponding demand for clearing services.

The expansion into new products and markets is intended to compensate effects arising from the termination of the cooperation agreement with APX-ENDEX.

The increasing competitive and price pressure which EEX Group faces forms a risk. Moreover, a further intensification of the competition – possibly, in the form of price wars, the progressing consolidation and reduction of the number of exchanges in the energy sector in Europe has to be expected for the future. In addition, the entry of US-American derivatives market exchanges into the markets of EEX has to be expected. For example, the Intercontinental Exchange (ICE) is planning to generate further growth through the take-over the gas and power derivatives business of the Dutch energy exchange APX-ENDEX and through the technological cooperation with the over-the-counter trading platform Griffin Markets. The market entry of competitors into both the existing markets and the growth markets of EEX entails the risk that EEX might lose its possibilities to influence the design of the European energy markets and that it might not be able to attain its own commercial aims.

With regard to the considerations regarding the economic environment the Management Board is optimistic about the future. Based on a position with a strong capital base and a sound cost structure it will continue to pursue ambitious aims in the medium run. For the year 2013, income from commission fees in a range of between EUR 25.4 million and EUR 26.9 million is expected. This will be based on a further increase in the clearing volume from power derivatives of the EEX Power Derivatives GmbH and from the EGEX gas markets. Moreover, EEX is planning further material increases in revenue from the settlement of the transactions on the EEX Spot Market for emission allowances, from the clearing co-operations and from a considerable expansion of the OTC clearing segment.

However, the growth in sales will be accompanied by temporary increases in expenses in the year 2013. This is primarily caused by further IT infrastructure measures to reduce the complexity of the IT architecture and to increase efficiency, primarily, through the further consolidation of various business applications and by pursuing the growth strategy. In spite of the largely stable overhead cost items, reductions in project expenditure and the continuation of the active cost management, non-variable expenses are expected to grow by 7 percent in 2013 compared with the previous year. In this context, corresponding expenses to will be incurred in 2013, e.g. in the framework of one-off expenses for the maintenance and optimisation of the IT infrastructure and processes resulting from the introduction of a business data warehouse and from the introduction of new products, in order to attain future sales increases and economies of scale. Moreover, it will not be possible to repeat the costs savings achieved with regard to projects and other overheads in 2012 to the same degree. In addition, a significant increase in depreciations is expected as a result of the required investments in software and systems. Human resources expenditure will increase in the context of planned new recruitments for the Customer Support Department and as a result of salary adjustments. Depending on the specific development of the sales revenue the Management Board expects an EBT within a range of between EUR 8.6 million and EUR 10.1 million.

ECC is planning to further expand its product and clearing offer and to expand its clearing co-operations in the financial year 2014. The IT strategy will be continued so that, in the medium term, expenses will grow on a lower scale compared with the income from commission fees in accordance with the ECC medium-term plan through the use of economies of scale and economies of scope (in particular, in the field of the measures for the reduction of complexity specified above). A corresponding growth in EBT is expected.

At the same time, both reinforced supervisory legislation requirements and sufficient cash funds are to be ensured by the company using its own strength.

8. Report on opportunities and risks

Competitive environment

ECC has established a position for itself as *the* central clearing house for energy and related products in Europe. As a service provider for the fields of clearing and settlement, ECC directly competes with other clearing houses. The settlement of products is largely effected through technical systems and does not necessarily require any local personal contact between the clearing house and the trading participants, ECC can be classified as being part of an international competitive environment in this respect.

In addition to the direct competition pressure on account of competing clearing houses, the competitive environment of ECC also comprises the competitors of the exchanges co-operating with ECC. This is due to the fact that changes in the trade volumes on the market platforms connected to ECC have a direct impact on the volume settled. As a result, indirect competitive pressure is caused by the possible shift of trade volumes to market platforms which are not covered by ECC. For this reason, the future development of the market platforms for energy and related products in Europe is of decisive importance for ECC.

The energy turnaround, competitive pressure, financial and energy market regulation will probably all contribute to a market environment which is likely to be difficult and uncertain again and which, as a result, is expected to have a corresponding effect on trading on EEX in 2013. Amongst other aspects, the current market environment is shaped by the following trends which are relevant for energy exchanges: the professionalisation of exchange platforms and growing demands on the part of the customers and the increasing importance of clearing, e.g. on account of increasing risk awareness.

The market for clearing and settlement services in the energy sector is changing rapidly. In the long run, growing demands by the market participants and increased competitive pressure will lead to the consolidation of the exchanges and clearing houses in the energy sector. At present, the predominant share of mergers, takeovers and establishments of clearing houses concerns the market for energy products. The use of economies of scale and scope is decisive for lasting success in the competitive environment. Moreover, the technological development also played a central role in exchange trading in the energy sector which is growing strongly.

The financial sector has already undergone a higher degree of consolidation since the international financial markets have been around for much longer. Nonetheless, the current discussion of the causes of the financial and economic crisis also results in impulses for changes on the market for clearing and settlement of financial products. Amongst other aspects, proposals aimed at reinforcing the significance of clearing via central counterparties through additional new regulatory rules or at placing services for financial and energy markets under joint supervision. As a result of these developments, clearing houses which have been well established on the financial market for several years are increasingly offering services to the energy markets.

Moreover, the specification of stricter requirements regarding equity resources and the assessment of inherent business risks have resulted in further consequences for the entire competition in this segment. At present, requirements under banking regulations, future requirements under EMIR and the expected tightening of the provisions under the rules discussed with regard to BASEL III are material for the ECC business model. Furthermore, the importance of central counterparties is also perceived more strongly in over-the-counter trading.

Opportunities and risks

The lasting financial and economic crisis has had a significantly negative impact on the development of the trade volumes over the last two years. The recovery of the economy and a stabilisation of the financial markets would probably contribute to positive impulses for the trade volumes in all market segments and to an increase in the results. However, the tight financial market policy situation within the Euro zone (which is decisive for EEX) also forms a risk. A further aggravation of the government debt crisis and a continued weak economy in Europe as well as a potential contagion effect on Germany could jeopardise the attainment of ECC's growth aims.

Acquiring market shares by shifting transactions from the uncleared over-the-counter market to the exchange market or to settlement and clearing by ECC could provide considerable opportunities for the further development of the ECC business fields. After the financial and economic crisis, the political and legal framework conditions for trading and clearing of financial and energy products are subject to profound change. The advantages of clearing through central counterparties are perceived more strongly both by regulatory authorities and the public as a result of the discussion of the causes of the crisis. This fact and the introduction of OTC products offer opportunities for increasing the share of cleared transactions in the entire trade volume. Moreover, changes to regulatory framework conditions, such as through EMIR (obligation to settle OTC transactions through central counterparties for many derivatives classes), are not an absolute prerequisite for this. In this case, it is more important that many trading participants realise and use the benefits of cleared transactions. For this reason, a transparent presentation of the cost advantages by ECC for both trading participants and political institutions provides opportunities for a significant and lasting increase in the volume of the transactions settled through ECC.

The position which ECC has established for itself as a clearing house specialising in energy and related products and with an integrated business model constitutes a unique selling proposition as against competitors. This opens opportunities to acquire those exchanges which have not been connected to ECC so far as new cooperation partners. In this respect, the identification, further development and continuous communication of the energy-market specific advantages of the ECC settlement systems to potential new partners are of decisive importance. In this respect, the approach pursued by ECC (including the integration of several market platforms, products and commodities within a uniform settlement system (integrated clearing)) provides an essential advantage as compared with competitors. This model provides significant cost advantages, in particular, for trading participants that operate on several market platforms since opposite positions can be considered in the calculation of the margins to be furnished (cross-margining).

The most important risks for the development of business at ECC result from the following three fields: power market design, regulation in the financial and energy sector and the intensification of the competition.

The Management Board perceives the biggest risk for EEX Group in possible structural distortions in energy trading which might significantly impair the business model and might mean that the growth aims as regards power as the mainstay of revenue might not be attained. Interventions in the power market which are out of touch with the market, such as the introduction of capacity markets or smaller price zones, might increase the trading participants' uncertainty and thus lead to a decline in exchange trading activities. Such fundamental changes in the market design jeopardise the market-based European integration and the role of the Phelix as a reference price. Its benchmark function would also be jeopardised if renewable energies are not integrated in the market and incentives to use market prices as orientation for the prices for feeding in of green power are not provided.

Furthermore, potential interventions aimed at regulating financial markets also constitute a major risk. This could lead to general restraint in trading on the part of the trading participants and, if applicable, even to a possible shift of trading activities away from the exchange and towards platforms with less regulation and/or standardisation. For example, a major effect would be expected if the trading participants are required to have their transactions cleared according to EMIR, while, at the same time, they are not able to fulfil the margin requirements of the central counterparty connected with this or to comply with the requirements regarding transparency in trading. Since the existence of a financial instrument constitutes a precondition for the clearing requirement under EMIR, the – as yet vague – definition of financial instruments in the future version of the EU Markets in Financial Instruments Directive (MiFID II) is a source of uncertainty. As a result of this, the attractiveness of the market might be affected and trading and clearing volumes, in turn, might decline. Even if the draft laws regulating the energy and/or financial market do not all attain full legal force or cannot be fully applied in 2013, these projects can still have an indirect effect on the business of EEX Group if market players anticipate certain developments and display restraint in their activities as a result. ECC accompanies this process in close consultation with Eurex Clearing AG, the European Association of CCP Clearing Houses (EACH), the market participants and supervisory authorities.

Further risks result from the international competition for clearing and settlement services both in the energy and in the financial sector. This competition is promoted, in particular, by EMIR. The regulation provides for a considerable simplification of individual trading platforms' access to clearing houses – and for clearing houses' access to transactions on other trading platforms. However, in this respect ECC's advantage is its flexibility enabling it to respond to customer requirements at short notice and with individual solutions. For this reason, the preservation and strengthening of this flexibility make a decisive contribution to the reduction of strategic risks. Moreover, pricing also plays a role in this.

Summary

The ECC Management Board is convinced that the company still has a sound position in its competitive environment but it will also have to respond and adjust to the changed situation. Current developments regarding tighter regulatory requirements as well as the ECC's development in its core business as compared with the dynamic competition are monitored and internally evaluated promptly.

The Management Board will continue to try to establish new co-operations with other market platforms and a lasting strengthening of integrated clearing in order to safeguard the business in the long run and to achieve further synergetic effects for the trading participants.

9. Events after the Balance Sheet Date

There were no events of special importance for the company's earnings, assets and financial situation after the end of the financial year 2012.

10. Other Notes

Reservation regarding statements about the future

This report contains forward-looking statements. These statements are based on current expectations, assumptions and forecasts by the Management Board and on the information which is currently available for it. These forward-looking statements should not be considered a guarantee of the future developments and results mentioned in these. The future developments and results rather depend on a large number of factors. They comprise various risks and uncertainties and are based on assumptions which might turn out to be incorrect. We do not accept any obligation to update the forward-looking statements provided in this report.

11. Final Statement regarding the Subordinate Status Report

Statement by the Management Board according to Art. 312 Paragraph 3 AktG (German Companies Act)

As a subsidiary of EEX AG, ECC has prepared a subordinate status report according to Art. 312 AktG. The final statement is as follows:

"In accordance with Art. 312 AktG, the Management Board of ECC AG declares that it has received adequate consideration for every legal transaction listed below. The assessment was made on the basis of the circumstances at the time at which the legal transaction was concluded in each case.

There were no further legal transactions in addition to the legal transactions listed below and, moreover, we do not know of any other measures which would have to be reported."

Leipzig, 8th February 2013

[handwritten signature]	*[handwritten signature]*
Peter Reitz	Steffen Köhler
Chairman of the Management Board (CEO)	Management Board (COO)
[handwritten signature]	*[handwritten signature]*
Iris Weidinger	Dr. Thomas Siegl
Management Board (CFO)	Management Board (CRO)

Auditor´s Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the European Commodity Clearing AG, Leipzig, for the business year from January 1 to December 31, 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, February 8, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Signature	Signature
Mock	Müller
German Qualified Auditor	German Qualified Auditor